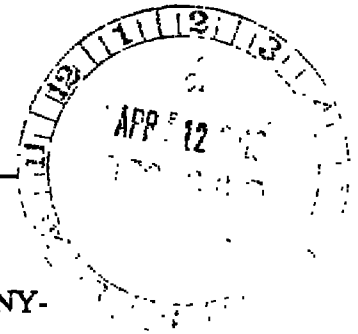


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Before the  
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO: ~~35340~~ 35343

SUSQUEHANNA UNION RAILROAD COMPANY -  
- CONTROL EXEMPTION -  
NORTH SHORE RAILROAD COMPANY, et al.



SUPPLEMENTAL VERIFIED STATEMENT OF RICHARD D. ROBEY  
(WITH CONFIDENTIAL EXHIBITS)

ENTERED  
Office of Proceedings

APR 12 2010

Part of  
Public Record

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Dated: April 7, 2010

Before the  
SURFACE TRANSPORTATION BOARD

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STB FINANCE DOCKET NO: ~~35340~~ **35343**

SUSQUEHANNA UNION RAILROAD COMPANY-  
- CONTROL EXEMPTION -  
NORTH SHORE RAILROAD COMPANY, et al.

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SUPPLEMENTAL VERIFIED STATEMENT OF RICHARD D. ROBEY  
(WITH CONFIDENTIAL EXHIBITS)

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I. INTRODUCTION

My name is Richard D. Robey and I am Chairman, Chief Executive Officer and sole owner of the railroad companies noted in the caption of this case. The purpose of this Supplemental Verified Statement is to provide the Board with additional factual information concerning the steps I have taken subsequent to December 22, 2009 in an effort to provide SEDA-COG Joint Rail Authority additional information concerning this change of control transaction and plans for future ownership of my railroad companies.

On January 12, 2010, I requested that my counsel advise the solicitor for the Rail Authority that Susquehanna Union Railroad Company would be filing its Petition for Exemption with the Surface Transportation Board seeking exemption for the acquisition of control transaction outlined in our Petition. We also advised the JRA Board that we would seek a ruling from the STB that the prior approval provisions for control transactions in our Operating Agreement with JRA was preempted under federal law. We also provided JRA with a copy of the Petition for Exemption.

In response, I received an urgent request from the Chairman of the JRA Board asking us not to file the Petition for Exemption and to provide the Board with information

requested in his letter of December 22, 2009 (Exhibit M). I advised Mr. Walls that much of the information requested had already been provided but in a good faith effort to resolve matters with the JRA, I agreed to respond to his December 22 letter and on February 2, 2010 and February 3, 2010, I provided Mr. Walls and the JRA Board with an extensive and detailed description of our plans for the railroad companies. (See Exhibits N and O). Subsequently, on February 25, 2010, I provided additional confidential financial data and projections to the Board's Operating Agreement Committee. (Exhibit P) Having provided this additional information, I advised the Board that I needed a prompt response from the Board so that I could proceed with arrangements necessary to institute this change of control transaction.

On March 10, 2010, I attended the SEDA-COG Joint Rail Authority board meeting at which time the Board took up our change of control transaction and immediately went into executive session for over an hour from which I was excluded. When the Board returned to public session, Chairman Walls announced that a Board member had been appointed to conduct a search for a financial consultant to review the information I had submitted and that the Board could give me no further indication when that consultant would be retained and how long it would take the Board to review his report and respond to this change of control transaction. This further delay on the part of the Board is unacceptable and completely unreasonable. Accordingly, on March 24, 2010 I advised Chairman Walls that Susquehanna Union Railroad Company would proceed with its Petition for Exemption and the relief sought therein. (Exhibit Q)

Unfortunately, the inability of the JRA Board to address a simple request concerning a nominal change in control transaction renders this Petition for Exemption

and the request for preemption of certain provisions of our Operating Agreement necessary. The oppressive and dilatory tactics adopted by the Board in addressing our request for approval of a simple change of control transactions is, to my mind, a classic example of why the Congress decided to preempt common carrier railroads from the regulatory jurisdiction of state and local agencies. Thus, the facts set forth in this Supplemental Verified Statement further support the relief sought in this Petition for Exemption.



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serving the counties of

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Clinton  
Columbia  
Lycoming  
Mifflin  
Montour  
Northumberland  
Union

**SEDA-COG JOINT  
RAIL AUTHORITY**

201 Furnace Rd  
Lewisburg  
PA 17837

(570) 524-4491  
fax 524-9190

[jra@seda-cog.org](mailto:jra@seda-cog.org)  
<http://jra.seda-cog.org>



Affiliated with  
SEDA Council of Governments

December 22, 2009

Mr. Dick Robey  
North Shore Railroad  
356 Priestley Ave.  
Northumberland, PA 17857

*RE: Change of Control*

Dear Dick,

This letter is in response to your letter dated December 16, 2009.

The rejection of your request at the November 11, 2009 Board meeting was based primarily on the inadequacy of the information available to the Board with respect to the transaction for which you have requested Authority approval. The Authority has repeatedly requested in writing and verbally that you provide various kinds of information concerning your proposed transaction. To date, that information has not been forthcoming. In your recent letter you have diminished the importance and applicability of this information apparently based in part on your assumption that the Authority already knows most of what was requested. The Authority does not have much of this information, especially information in a written form on which the Authority can rely. As one simple example, we had to check the attendance records at the meeting attended by your management team to determine even who the potential new owners are proposed to be.

In the past, you have written in generalities regarding the financial arrangements to accomplish the proposed change of control, but the Authority needs, among other matters, to see how the companies' finances can support the transaction, taking into account all your various organizations. The entire Authority Board is concerned whether the restructuring and change of control transactions will support long-term financial stability and effective rail service and maintenance-of-way.

Enclosed is the Authority's list of questions dated December 8, 2009. Our Operating Agreement Committee is prepared to meet with you to discuss your transaction. Before we can schedule this meeting however, we must have a comprehensive response with detailed written answers to each item on the enclosed list. At a meeting, we will then review the responses to each item with you so that the Board can be fully informed.

Sincerely,

Jerry S. Walls  
Chairman

Enclosure

cc: Gary Shields, North Shore Railroad

EXHIBIT M

**SEDA-COG Joint Rail Authority**  
**December 8, 2009**

**Information that shall be requested by the Authority when asked to consider a 'Change of Control' of the contract operator shall include, but is not necessarily limited to, the following:**

**1. Evidence of an agreement between buyer and seller(s)**

**2. Questions for Seller:**

**A. Terms of Sale**

Who will buy what, when? What corporate entities (Operating Railroad, Rail Scavengers, Susquehanna Union Railroad Company, or other entity) are included in the sale agreement? How will the sale(s) be structured (sale of stock or assets)? When will sale(s) be executed?

[When will change of control take place?]

**B. What does Susquehanna Union Railroad Company own? Who owns this holding company?**

**C. What third party approvals, (E.G. STB, JRA, PUC, bank) are required?**

**D. What "Tax Credits" are carried forward by each JRA railroad, and how will these be treated in the sale?**

**E. Have tax credits been transferred between the companies, and how was this accomplished?**

**F. Are there any other understandings, representations, or agreements between the buyer and seller(s)**

**3. Questions for Buyer(s): (A meeting with the buyer(s) will be scheduled)**

**A. Background experience for conducting rail freight operations and maintenance**

Knowledge

Experience

Financial Information

**B. How will purchase be financed? (Sources of buyer financing?)**

**C. How will purchase be structured? (Will a separate entity be formed for purchase?)**

**D. Corporate and ownership structure after purchase? (Who will make decisions?)**

**E. Any changes in management and/or workforce contemplated?**

**F. Are there any understandings, representations, or agreements between the buyers that are not included in the purchase and sale agreement?**

**G. Financial projections trending from the most recent three years.**

- 3-5-7 year cash flows and pro formas
- Balance sheet before and after purchase
- 3 years income statements and balance sheets with account detail and cost and pricing assumptions.
- Schedule of ownership which clearly defines the bankability of transaction at conclusion of current operating agreement.

(Will need to see books of company acquiring JRA contract railroads)

(Will need to know interest payments and debt of holding company)

Before the  
SURFACE TRANSPORTATION BOARD

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STB FINANCE DOCKET NO: 35340

SUSQUEHANNA UNION RAILROAD COMPANY-  
- CONTROL EXEMPTION -  
NORTH SHORE RAILROAD COMPANY, et al.

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SUPPLEMENTAL VERIFIED STATEMENT OF RICHARD D. ROBEY  
CONFIDENTIAL EXHIBITS N, O, and P  
SUBMITTED UNDER SEAL



# NORTH SHORE RAILROAD COMPANY

356 Priestley Avenue, Northumberland, PA 17857

Phone: (570) 473-7949

Fax: (570) 473-8432

March 24, 2010

Mr. Jerry Walls, Chairman  
SEDA-COG Joint Rail Authority  
201 Furnace Road  
Lewisburg, PA 17837

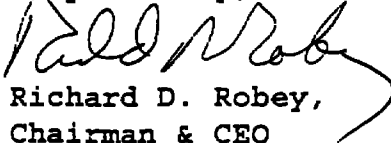
Dear Jerry:

Please refer to attorney Richard Wilson's letter of January 15<sup>th</sup> to attorney Steve Hurvitz concerning Susquehanna Union Railroad Company's STB filing seeking exemption for Susquehanna Union's acquisition of the stock of our railroad companies.

Last January I agreed, at the Rail Authority's request, to provide more data to the Authority, to again answer the Authority's questions, and to allow the Authority additional time to consider its approval of Susquehanna Union's stock acquisition. After I provided this information to the Authority, at the March Authority board meeting you advised me that the Authority could not say how long it would take to decide on its approval, and that the Rail Authority, at the suggestion of several of its board members, had decided to obtain a financial consultant to analyze Susquehanna's acquisition plans, and that the time frames for this analysis were "to be determined". It is apparent that the time frames for the Authority's approval are too indeterminate and I have decided that it is necessary to proceed with our STB filing.

Please note that our filing seeks the STB exemption of a routine stock acquisition transaction as required by federal law. We will accomplish the actual transaction after the STB has issued this exemption.

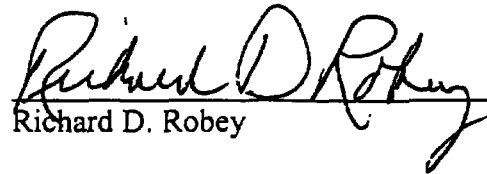
Respectfully,

  
Richard D. Robey,  
Chairman & CEO



## VERIFICATION

I, Richard D. Robey, Chairman and Chief Executive Officer, Susquehanna Union Railroad Company, et al., swear or affirm and verify that the statements made in the foregoing Verified Statement are true and accurate to the best of my knowledge, information and belief.

  
Richard D. Robey